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September 28, 2000

Shannon Hamm
USDA
1400 Independence Avenue SW
STOP 3601
Washington, DC 20250-3601

RE: Comments from U.S. Premium Beef concerning the USDA public forum on captive supplies in the livestock industry.

Proposed regulatory actions limiting marketing arrangements between sectors of the beef industry could be damaging to U.S. Premium Beef and the beef industry as a whole.

U.S. Premium Beef is a new generation closed beef marketing cooperative consisting of over 1400 cattle producer members located in 28 states. Our membership consists of seed-stock producers, cow/calf producers, farmer feeders and feedlot owners. USPB was formed in 1996 to enable beef producers to integrate into value added profits by becoming owners in further processing. Our mission is to profitably sell meat and meals instead of cattle.

In order to achieve its mission, USPB acquired an interest in Farmland National Beef Packing Company LP, the fourth largest beef processor in the United States. We own Farmland National Beef in partnership with Farmland Industries. Since we began operations in December of 1997, USPB members have earned over \$70 million in value-based cash premiums, beef company earnings and increased USPB stock value. That represents an average return of over \$100 per share on the initial \$55 investment.

Our unique producer owned venture has resulted in improved cattle quality; increased consumer satisfaction; increased accountability for product quality and safety; and increased producer earnings. While still a young company, we have made great strides in accomplishing this mission. However, efforts to limit creative marketing practices such as those discussed at the recent USDA public forum, could cripple and possibly defeat our efforts.

USPB is in a unique position as a beef processor owned by cattle producers to look objectively at the issues surrounding captive supplies and their impact on the different sectors. Most individuals pursuing this political issue are well intended. In fact, many of our founding members shared similar concerns prior to the formation of USPB. However, countless studies conducted by credible economists support what we have

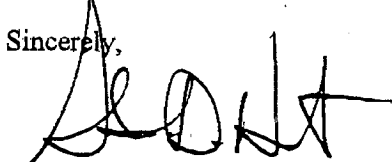
observed over the last few years as a producer/processor. The prices of our products today are driven predominantly by demand and supply. We are producing record supplies of beef and other animal protein sources such as pork and poultry. Without improving demand for our product relative to other food sources, increased supplies will result in lower prices.

Sadly, the very practices criticized in this forum have helped to improve quality, increase demand and support prices. Many alliances between producers and packers are integrating value based pricing systems and transfer of carcass data, thus contributing to improved quality and consistency of our product. Having available the financial incentive and the knowledge to improve our product has led to a reversal of the 20-year slide in beef demand. It is critical we not lose what we have worked so hard to achieve.

An open free market system enabled USPB to become a reality. If proposed regulations restricting a producer's marketing alternatives were in place back in 1996, we would not be in existence today. What USDA decides today will impact a producer's ability to adapt and respond to an ever-changing industry. Action to expand the Packers and Stockyards Act and limit the formation of alliances between beef industry sectors will cause irreparable damage not only to our company, but the livestock industry as a whole.

Thank you for the opportunity to convey our thoughts.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. D. Hunt', written over the word 'Sincerely,'.

Steven D. Hunt
Chief Executive Officer